



**Executive Committee**

Wednesday, May 5, 2004

11:00 a.m.

Hotel Roanoke and Conference Center  
Roanoke, Virginia

**APPEARANCES:**

The Honorable Terry G. Kilgore, Vice Chairman  
The Honorable Kathy J. Byron  
The Honorable Allen W. Dudley  
The Honorable Joseph P. Johnson, Jr.  
The Honorable Frank M. Ruff  
The Honorable Gary D. Walker  
The Honorable William C. Wampler, Jr. (by telephone)

**COMMISSION STAFF:**

Carthan F. Currin, III - Executive Director  
Mr. Ned Stephenson - Manager of Strategic Investments  
Stephane Wass - Director of Finance

**OFFICE OF THE ATTORNEY GENERAL:**

Frank F. Ferguson, Senior Assistant Attorney General

DELEGATE KILGORE: I'll call this meeting to order, we're about twenty minutes late. Glad to have everyone with us. If you would call the roll?

MR. CURRIN: Mr. Bryant?

MR. BRYANT: (No response.)

MR. CURRIN: Delegate Byron?

DELEGATE BYRON: Here.

MR. CURRIN: Delegate Dudley?

DELEGATE DUDLEY: Here.

MR. CURRIN: Delegate Johnson?

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1 DELEGATE JOHNSON: Here.  
2 MR. CURRIN: Senator Puckett?  
3 SENATOR PUCKETT: (No response.)  
4 MR. CURRIN: Senator Ruff?  
5 SENATOR RUFF: Here.  
6 MR. CURRIN: Mr. Schewel?  
7 MR. SCHEWEL: (No response.)  
8 MR. CURRIN: Mr. Walker?  
9 MR. WALKER: Here.  
10 MR. CURRIN: Senator Wampler?  
11 SENATOR WAMPLER: Here, by telephone.  
12 MR. CURRIN: Mr. Hawkins?  
13 MR. HAWKINS: (No response.)  
14 MR. CURRIN: Mr. Chairman?  
15 DELEGATE KILGORE: Here. Do we have a quorum?  
16 MR. CURRIN: Yes, sir.  
17 DELEGATE KILGORE: All right. We have six here for your  
18 benefit, Senator Wampler. Senator Wampler, do you have a budget in front of you?  
19 SENATOR WAMPLER: I have a one-page document entitled, FY  
20 2005 Proposed Budget, one page.  
21 MR. CURRIN: William, for your benefit I'm going to do a  
22 powerpoint presentation and add some meat to that page.  
23 DELEGATE KILGORE: We have the Minutes from the November  
24 23rd meeting of the Executive Committee at Virginia Tech. Do I have a motion?  
25 DELEGATE JOHNSON: I move they be adopted or approved as  
26 mailed.  
27 DELEGATE BYRON: Second.  
28 DELEGATE KILGORE: All in favor say aye? (Ayes.) Those are  
29 approved. I'll recognize our Executive Director and Stephane for the budget presentation.  
30 MR. CURRIN: First I wanted to update you on our cash balance. If  
31 you recall in April 2002, the Commission changed to a reimbursement basis for grant  
32 distributions. As you can see from this chart, our cash balances have gone up  
33 significantly because we are now better managing those funds and only sending out grant  
34 funds when they are actually needed. That means we are earning more interest and we  
35 are better able to monitor the progress of our grant awards.  
36 Just to bring you up-to-date on how the actual Master Settlement Agreement  
37 revenue compares to the forecasted amounts. This graph shows the annual totals for the  
38 first five years of our existence. The first bar reflects the unadjusted amount estimated in  
39 the original MSA agreement. The blue bar shows the latest adjusted TD revenue forecast  
40 from the Virginia Department of Treasury through Global Insight. That is an entity that  
41 does an analysis for Virginia's Treasury for the Treasurer's Office to give them some  
42 perspective on what they predict.  
43 DELEGATE KILGORE: When you say TD forecast, what does that

1 mean?

2 MS. WASS: Treasury Department.

3 MR. CURRIN: This chart takes into account the adjustments for  
4 inflation, domestic consumption and other factors affecting our revenue stream to the  
5 MSA. The green bar shows what actually was received for fiscal year 2000 through  
6 2004. The latest forecasts have lowered FY '05 MSA revenue to sixty-three point one  
7 million dollars.

8 We received this year's MSA payment a couple of weeks ago, totaling sixty-  
9 three point six million dollars. When added to the six hundred forty-five thousand  
10 received last October in disputed payments, our total MSA revenue for 2004 was sixty-  
11 four point two million dollars, or two hundred twenty thousand one hundred eighty-three  
12 dollars more than budgeted for. We actually received close to a quarter of a million  
13 dollars more than we had expected.

14 DELEGATE KILGORE: Do we have a good feeling, Carthan, that  
15 what we are projecting and budgeting for is going to be within two or three hundred  
16 thousand either way?

17 MR. CURRIN: We do our very best to be as conservative in our  
18 analysis so that we are not too far out on a limb. We have been fortunate to date, and if I  
19 am not mistaken the Director of Finance can correct me, so far we have been kind of  
20 underestimating a little bit so that we are pleasantly surprised at the end of the day. But  
21 one of the points I wanted you to know about is that originally what was forecasted is  
22 down in actual dollars that we were getting.

23 DELEGATE KILGORE: You are talking about when we originally  
24 started the MSA payments?

25 MR. CURRIN: That's right.

26 DELEGATE KILGORE: It was assumed we would be getting X  
27 amount of dollars, and that number is down?

28 MR. CURRIN: Yes, sir.

29 MS. WASS: The FY '05 revenue amount is what is in the budget  
30 bill.

31 MR. CURRIN: Interest earnings through the third quarter of this  
32 fiscal year is one point one million dollars, one hundred nineteen thousand more than  
33 budgeted. As in our past, fourth quarter interest will go to the General Fund pursuant to  
34 the Appropriations Act. The current budget bill does not contain language to withhold  
35 any interest earnings for the next biennium, including our fourth quarter, as in the past  
36 they have been taking the fourth quarter interest, or the Commonwealth has, and you  
37 have to understand that, and that is the way it is. As things now stand that is not, or at  
38 least from what we can gather, that is not going to happen.

39 On a little more negative note, I have some update for the Committee on  
40 securitization. On April 21st Moody's Investor Services downgraded the tobacco bonds  
41 because of the denial of the petitions for a rehearing by the United States Court of  
42 Appeals for the Second Circuit in the Freedom Holdings case, and I'm not particularly  
43 familiar with that case. Frank Ferguson will be here at some point if you have any

1 questions on that, or more details, I'm sure he can share that with you. Most of the  
2 tobacco bonds have been downgraded to BAA3, which is one notch above junk bonds.  
3 The New York deal excluding New York City have been lowered to speculative grade  
4 category.

5 DELEGATE KILGORE: The New York BA1, is that lower than  
6 BAA3?

7 MR. CURRIN: Better than. In essence what I am sharing with you,  
8 from what we have been told, is that the market conditions are not favorable at this  
9 juncture for us to even consider looking at another transaction.

10 Before I go into detail on the budget, Mr. Chairman, I'd like the Committee to  
11 know that the Director of Finance and myself independently briefed Chairman Hawkins  
12 and Secretary Schewel on the budget that I am going to present to you today.

13 DELEGATE DUDLEY: In talking about securitization, we had  
14 some costs associated with trying to make that happen.

15 MR. CURRIN: Yes, sir.

16 DELEGATE DUDLEY: Do you have a rough idea what the final  
17 figure is?

18 MR. CURRIN: Yes, we have that, I think, to the penny.

19 MS. WASS: That is four hundred thirty-four thousand. We had six  
20 hundred fifty thousand budgeted for securitization costs. To date we have paid bills that  
21 have totaled four hundred thirty-four thousand.

22 DELEGATE DUDLEY: Is that it?

23 MS. WASS: I think that is it. There are some outstanding bills that  
24 have not been sent to the rating agencies, I hear they are going to drop those and not  
25 charge us.

26 MR. CURRIN: Thank you, Delegate Dudley. Senator Wampler, can  
27 you hear me?

28 SENATOR WAMPLER: Yes.

29 MR. CURRIN: On the issue that Delegate Dudley raised about  
30 costs dealing with securitization, I have been working with Treasury to be as hard-nosed  
31 as we can be about the fact that the deal didn't take place. We're trying our best to  
32 diminish as many costs as possible. So, so far we have been successful in that respect.  
33 When we pulled the trigger and the deal went forward there was an understanding we  
34 were going to be charged.

35 DELEGATE KILGORE: That four hundred thirty-four thousand is  
36 gone?

37 MR. CURRIN: Yes, sir, legal fees and others.

38 MS. WASS: If we would decide to securitize again, we're told that  
39 some of those fees would probably apply to a new transaction.

40 DELEGATE KILGORE: Frank, welcome. This Freedom case that  
41 we were talking about, the Second Circuit and not rehearing the Freedom case.

42 MR. CURRIN: Senator Wampler, Frank Ferguson has arrived.

43 MR. FERGUSON: My understanding of the Freedom Holding case,

1 and I'm trying to remember the specific issue in it. It really has to do primarily with  
2 subsequent participating manufacturers, or ones that were not grandfathered, and they  
3 have some attacks on the MSA. As a result of that it is really not directly an attack on the  
4 escrow statute. The reason the Fourth Circuit sent it back was a procedural issue. I don't  
5 think they have gotten to any of the substantive merits yet. My understanding is that  
6 New York is still fairly confident that they will prevail ultimately on the merits in that  
7 case. They were procedural issues, as I recall. I was surprised they did it, and my  
8 reaction is that they were looking for an excuse.

9 MR. CURRIN: Mr. Chairman, I am pleased to present to you and  
10 the Executive Committee for your review and comment what Staff has worked on for an  
11 '05 fiscal year budget. This will be our fifth fiscal year that the Commission will be  
12 working from. The proposed budget was e-mailed or faxed to you last week, and it will  
13 be the starting point for today's discussion. The total proposed '05 budget is sixty-four  
14 point six million dollars. Sixty-three point one million will be from estimated MSA  
15 revenues and the remaining amount from interest earnings. Ninety-seven percent of the  
16 proposed budget will go toward our programs in the Commission's five major priorities  
17 as outlined in our Long-Range Plan, and the balance will be for administrative purposes.  
18 The '05 administrative budget reflects a seventeen percent decrease from '04. This is  
19 mainly due to contingent securitization costs budgeted in '04 that Delegate Dudley  
20 referred to earlier. The slight increase in salaries and fringe benefits is due to the  
21 increased health insurance costs for employees and to fully fund last year's state salary  
22 increase of two point two five percent. The contractual services line item includes  
23 expenses such as indemnification processing costs, legal services, postage, printing, et  
24 cetera. This amount is lower primarily because the '04 budget included monies for a  
25 search firm, and ultimately we did not use the search firm in selecting our Director of  
26 Strategic Investments. That was at least two hundred plus thousand dollars.

27 The increase in travel, lodging and meals reflects an increase in Commission's  
28 meetings and travel. About half of the transfer payments line item is for central service  
29 agency charges. When I hear this it sounds very bureaucratic to me. I'll have Stephane  
30 explain to you exactly what that means. I can, but I think it would be more to your --  
31 she'll cut to the chase quicker. Senator Wampler, this is under the transfer payments?

32 SENATOR WAMPLER: I'm following you.

33 MR. CURRIN: Could you give us a little detail as to what exactly  
34 this is and why we have to go through it?

35 MS. WASS: In the budget there was language that transfers from  
36 non-general fund agencies, a certain amount for central service agencies, agency charges  
37 to non-general fund agencies. This is for the non-general fund agencies, a proportionate  
38 share of central service services such as the cash management services that Treasury  
39 provides, check processing, everything from DPB, Department of Planning and Budget,  
40 to Department of Accounting and Treasury. This is the amount in the budget bill, which  
41 was about two hundred fifty thousand.

42 DELEGATE DUDLEY: Is that specified as a dollar amount?

43 MS. WASS: Yes.

1 DELEGATE DUDLEY: From each non-state agency, we were  
2 singled out?  
3 MS. WASS: No, it is a long list of agencies that had non-general  
4 funding.  
5 SENATOR RUFF: Was it based on a percentage?  
6 MS. WASS: I believe there is a formula used by DPB to count the  
7 number of vouchers processed and the dollar amount transactions.  
8 MR. CURRIN: Probably work load, and based on that, Tobacco  
9 Foundation.  
10 MS. WASS: There is a long list of agencies that are charged central  
11 service agencies.  
12 MR. CURRIN: For being part of the family.  
13 SENATOR RUFF: Does that line include anything else other than  
14 transfers?  
15 MS. WASS: Yes.  
16 SENATOR RUFF: Was the base figure from last year, was that the  
17 same category, or was that something else?  
18 MS. WASS: The remaining is for MSA endorsement for the Office  
19 of the Attorney General, Department of Taxation, and that was in the last Appropriation  
20 Act.  
21 DELEGATE BYRON: Is that actual figure there six thousand?  
22 MS. WASS: They get it before June 30th.  
23 DELEGATE BYRON: So it is around two seventeen, if you budget  
24 two seventeen, you expect double?  
25 MS. WASS: Right, because the two seventeen is only for MSA  
26 endorsement. The FY'05 budget bill had the central service agency charges for us.  
27 DELEGATE BYRON: The same thing with the salaries you have  
28 for last year, year-to-date, is that based on today's date?  
29 MS. WASS: As of March 31st.  
30 DELEGATE BYRON: The actual budget goes through when?  
31 MS. WASS: June 30th.  
32 DELEGATE BYRON: That really doesn't year-to-date actually,  
33 some items and others it does?  
34 MS. WASS: That's right. The same with rent. We make the rent at  
35 the beginning of the year, and they charge us the full amount in July for the entire year.  
36 DELEGATE BYRON: Do you ever do it the other way around, you  
37 budget it to what you actually expect you'll need instead of before?  
38 MS. WASS: We project out based on certain things.  
39 DELEGATE BYRON: I'm trying to get a clearer picture. The  
40 balance is left there, whether it is on target or it is way off target.  
41 MS. WASS: Yes, in developing the budget we use a projection of  
42 what we think about the rest of the year. So there are some things like salaries and  
43 supplies that you project out based on the number of months that have passed and how

1 much you think the end of the year will be, but there are certain things that are done one  
2 time.

3 MR. CURRIN: Delegate Byron, I'll work with her and take your  
4 point --

5 DELEGATE BYRON: -- It will just give you a clearer picture, it  
6 makes a big gap if you're only looking at the year-to-date.

7 MR. CURRIN: Thank you, Delegate Byron.  
8 This next pie chart reflects what I just told you.

9 DELEGATE KILGORE: Administration, two point two million  
10 dollars.

11 MR. CURRIN: Yes, sir.

12 SENATOR RUFF: Mr. Chairman, why do we keep buying more  
13 furniture and equipment? Eventually the office will be full.

14 MS. WASS: We're getting to the point now that the computers we  
15 purchased the first year are starting to become obsolete, and we're trying to get on a  
16 replacement program where we replace a few computers every year rather than all at one  
17 time. There is additional money needed for furniture.

18 DELEGATE BYRON: There is another example there of  
19 technology separated out and the costs --

20 MR. CURRIN: I hear you. The next slide, Senator Wampler, what  
21 you see before you are the five major priorities of the Commission as outlined in the  
22 Long-Range Plan.

23 DELEGATE KILGORE: That would be the next heading,  
24 Indemnification, Technology, Job Creation, Innovation, Human Infrastructure, Education.

25 MR. CURRIN: Yes, sir.

26 DELEGATE KILGORE: Regional Economic Development, which  
27 would be Southwest and Southside or what monies they have.

28 MR. CURRIN: Correct. We are proposing that we commit a total  
29 of twenty million dollars for indemnification, thirteen million for flue-cured, seven  
30 million for burley.

31 DELEGATE KILGORE: What are the changes there?

32 MR. CURRIN: Slightly more money is going toward Economic  
33 Development in Southside. In Southwest instead of an eighty/twenty split, Staff is  
34 proposing a seventy/thirty split, seventy percent for indemnification and thirty percent for  
35 Southwest Economic Development.

36 DELEGATE KILGORE: Why is that?

37 MR. CURRIN: The best way to express that is that the Staff's view  
38 is that we recommend to you that in Southwest we felt like having some extra dollars for  
39 some important projects that you all may deem necessary for Economic Development  
40 purposes, and it would be better to give you all a cushion, or more of a cushion.

41 DELEGATE KILGORE: Are we getting close to paying up that  
42 amount of indemnification?

43 MR. CURRIN: Stephane has precise figures, and we are close to

1 the burley, flue-cured --

2 SENATOR RUFF: Can you go through that, because our growers  
3 are uptight about the fact that we voted to give them less money right before the last cut,  
4 and they perceive we are shafting them.

5 DELEGATE KILGORE: I agree, that's what I was getting at.

6 SENATOR WAMPLER: Mr. Chairman, I think that was Senator  
7 Ruff, you say before the last cut, Frank, was that the quota reduction, is that what you  
8 were referencing?

9 SENATOR RUFF: Yes. The quota reduction was announced in  
10 December, and our budget was passed in July.

11 DELEGATE KILGORE: All right, Stephane.

12 MS. WASS: In burley, after seven million dollars was paid in  
13 FY'05, and if the Phase II payments continue and the quota remains the same, the  
14 remaining obligation will be ten and a half million for burley. For flue-cured, if thirteen  
15 million is committed in FY'05 the remaining obligation is ninety point three million.  
16 That assumes further quota cuts do not take place, that there is no buy-out, that Phase II  
17 payments continue as projected.

18 DELEGATE KILGORE: Assuming all of those?

19 MS. WASS: Yes.

20 DELEGATE KILGORE: Flue-cured, if you take the next four, five  
21 or six years to get to ninety million paying at thirteen or fourteen million dollars a year.

22

23 SENATOR RUFF: Put in perspective, how much did it grow last  
24 year from that drop in quota?

25 MS. WASS: I'll have to look it up.

26 DELEGATE KILGORE: But the amount did grow?

27 MS. WASS: It dropped overnight, and it increased our obligation by  
28 sixty million.

29 DELEGATE DUDLEY: We were scheduled to pay out in 2006  
30 before, under the same scenario and figures you were using. Prior to the last quota  
31 reduction, I think we were looking at projections of 2006, I think, fully indemnified.

32 DELEGATE KILGORE: Every time there is a quota reduction, the  
33 Staff builds that back into whatever our obligation is?

34 MS. WASS: Yes, it is a moving target.

35 DELEGATE KILGORE: I'm glad to know that.

36 MR. FERGUSON: It is capped, I think, at one point two billion.

37 MR. CURRIN: That's right, in the statute.

38 MR. FERGUSON: If all quota was lost at the end of the day and  
39 there is no make up for anything that would be the highest possible obligation. It is soft  
40 language, but yes.

41 MR. CURRIN: Eight point eight million dollars from Staff's  
42 recommendation will be dedicated to technology and telecommunications projects. Eight  
43 point five million would be for innovation/job creation, including five point five million

1 for Deal Closing and three million for FY'05 for Special Projects.

2 DELEGATE KILGORE: Tell me what the difference is in Deal  
3 Closings and Special Projects.

4 MR. CURRIN: Those are two separate entities. Senator Wampler  
5 chairs the Special Projects Committee, and Delegate Dudley is Vice Chair, and then we  
6 have the TROF Committee. But just in this broad term "innovation/job creation" we put  
7 both under there, but they are two separate silos of money.

8 SENATOR RUFF: The technology dollar is an odd amount, what is  
9 the reason for that?

10 MS. WASS: Basically, once you subtract out the administration  
11 budget and some other dollar amounts there was an odd amount left over.

12 MR. CURRIN: We gave a little more balance to technology  
13 knowing that Southwest and Southside had ongoing projects.

14 MS. WASS: Seventy-three twenty-seven balance.

15 DELEGATE KILGORE: You say here you have an unobligated  
16 balance carry over of technology of seven sixteen. Is that included in the eight eight?

17 MS. WASS: No.

18 DELEGATE KILGORE: Eight point eight plus seven six.

19 MR. CURRIN: Yes. Then we have eight million dollars committed  
20 to the Education Committee. We have seventeen million for regional --

21 DELEGATE KILGORE: Why did we reduce that?

22 MR. CURRIN: We were looking at some of the other factors. For  
23 example, the Technology Committee, both regions are kind of going full speed now in  
24 deployment, and we felt that from the Staff perspective that that was important to give a  
25 little extra push.

26 DELEGATE KILGORE: We still have the six hundred plus  
27 thousand that is not added in?

28 MS. WASS: Yes.

29 MR. CURRIN: That is correct.

30 DELEGATE KILGORE: Will this keep us from doing what we  
31 have been doing with the community colleges?

32 MR. CURRIN: That is a decision that the Commission or Senator  
33 Ruff's Committee has not grappled with yet, for this upcoming fiscal year. You may  
34 recall the Education Committee supported eight hundred fifty seven thousand the first  
35 two fiscal years to seven schools, and then the Committee recommended the Commission  
36 support, Senator Ruff and the Committee, to reduce that to four hundred thousand.

37 SENATOR WAMPLER: I couldn't hear Carthan in his response.

38 MR. CURRIN: I was just reacting to the question. The first two  
39 years we supported the community colleges, and we did so at the level of eight hundred  
40 fifty-seven thousand each for seven schools, three in Southwest and four in Southside.  
41 Then Senator Ruff and the Education Committee felt that we needed to reduce that  
42 amount, so they cut it down to four hundred thousand for this fiscal year and for last  
43 fiscal year. The Committee has not made a decision as to what they will do for this fiscal

1 year, yet.

2 DELEGATE KILGORE: I can say, and maybe Delegate Johnson  
3 and Senator Wampler, but in Southwest this has been one of the best investments, I  
4 believe, that we have made in the education area, because we hear a lot from a lot of  
5 individuals. A lot of families have spoken in favor of it, it really helps them. I'm sure  
6 Senator Wampler has heard the same thing, too, and I know I have really heard that a lot.

7 SENATOR WAMPLER: The reason I asked Carthan to enunciate  
8 further, my concern is that when the Education Committee may make a decision on  
9 funding for community colleges, is that something we need to bat around today, or would  
10 it be on our agenda for the Full Commission meeting or not?

11 SENATOR RUFF: We don't have an Education Committee meeting  
12 set. There were a couple of things left dangling that we might try to get together before  
13 the meeting. Even though the amount that the community colleges were guarantee  
14 dropped from eight hundred fifty-seven to four hundred thousand, I think that each of the  
15 community colleges has probably gotten about the same amount of money. We just  
16 require them to justify what programs were a little bit better. I think we will be fairly  
17 close on those commitments to them, or whether it is for a particular program or a blank  
18 check.

19 DELEGATE KILGORE: I think the ones in Southwest, I know  
20 Hollins and Mountain Empire and the scholarship program.

21 SENATOR WAMPLER: I think it is a combination of grants for  
22 scholarships and investing in some programs, but I would want to hedge on that a little  
23 bit.

24 DELEGATE JOHNSON: Mr. Chairman, do you know whether or  
25 not any community college was unable to fill the needs for scholarships this past year?  
26 In other words, was the demand greater than the money appropriated?

27 MR. CURRIN: None of them communicated that to me in any  
28 conversations that we have had.

29 SENATOR RUFF: I would like to follow up on that, Mr. Chairman.  
30 I think Patrick Henry may have had some problems because of the extra layoffs at  
31 Pillowtex, but they dipped into their own foundation money and they got around that.

32 DELEGATE JOHNSON: The reason I asked, Mr. Chairman, is that  
33 I feel like it is not wise to have this much money sitting there when we have deserving  
34 students that could use the money.

35 MR. CURRIN: I'll check into that, Delegate Johnson.

36 DELEGATE KILGORE: If you could, check into that before the  
37 actual meeting and let some of us know.

38 MS. WASS: The eight million dollars in the FY'05 proposed budget  
39 will not be in our bank until April of 2005.

40 DELEGATE KILGORE: So we have already budgeted for the  
41 scholarships for this year?

42 MS. WASS: No.

43 DELEGATE KILGORE: No, okay.

1 MS. WASS: No, the money will not be here until April.

2 DELEGATE KILGORE: What are we doing about letting the  
3 community colleges know or giving them some idea of what they can expect? Are they  
4 supposed to operate on last year, or is all of that subject to change?

5 SENATOR RUFF: What we are doing with most of those is that we  
6 are dealing with the following year. I don't think budgeting in the '04, '05 year. The real  
7 dollar pressure issue is with the individual scholarships. Southwest was given a million,  
8 and we are giving two point eight, that money has to be paid before the kids go to school.  
9 I think we have been up-fronting that money out of our cash from the current or previous  
10 year. Is that correct?

11 MS. WASS: Right. I guess we have been awarding money ahead of  
12 actually receiving it and using existing balances.

13 DELEGATE KILGORE: We're not leaving anybody out?

14 MS. WASS: It is a risky thing to do.

15 DELEGATE DUDLEY: Not leaving anybody out, giving them  
16 money before we get it. I don't know how you leave them out.

17 DELEGATE KILGORE: All I was saying is that I wanted to make  
18 sure that the colleges knew that they had X amount of dollars so they can advise the  
19 student public that this was available, and that is all I was concerned about.

20 DELEGATE BYRON: To understand this properly then, Stephane,  
21 the money for FY'04, which we have already budgeted for is in the bank and available to  
22 us?

23 MS. WASS: Yes.

24 DELEGATE BYRON: The '05, which we are trying to prepare for,  
25 takes effect in September?

26 MS. WASS: It is effective July 1, but we don't get our payments  
27 until April the following year.

28 MR. CURRIN: That is how we have operated from day one.

29 DELEGATE BYRON: We don't really look at how we will spend  
30 that money until much later in the season.

31 MR. CURRIN: So we are not clipped.

32 DELEGATE BYRON: With the exception of the unobligated carry-  
33 over. I'm sure Special Projects is not sitting on seven point nine million dollars, he really  
34 doesn't have all that money right now.

35 SENATOR WAMPLER: Mr. Chairman, I would just observe that  
36 whether it was on the Deal Closing or Special Projects, I can think at the end of a fiscal  
37 year where we had a couple of projects and we actually did a letter of intent, but I would  
38 concur with Delegate Byron that, no, we've never spent those dollars until we have  
39 actually booked them.

40 MR. CURRIN: Mr. Chairman, the Staff is recommending seventeen  
41 million dollars for Regional Economic Development Projects to the Southwest and  
42 Southside Economic Development Committees, fourteen million Southside and three  
43 million Southwest.

1 DELEGATE KILGORE: You have high unobligated balances for  
2 this year, that is because neither was --  
3 MS. WASS: Or be awarded this much.  
4 DELEGATE KILGORE: That is because no one --  
5 MR. CURRIN: -- We wanted to be sure we had the money before  
6 we made any awards.  
7 DELEGATE KILGORE: There are applications, there is no  
8 requirement that Southside award fifteen million or Southwest award three point five.  
9 MR. CURRIN: No, you don't have to award any of it if you don't  
10 want to.  
11 DELEGATE DUDLEY: It says unobligated, but all this Economic  
12 Development money is money that was basically under an allocation formula to different  
13 localities.  
14 DELEGATE KILGORE: Not in Southwest. We don't do the  
15 allocation, we don't do that formula.  
16 MR. CURRIN: The Southside formula is for Franklin County but  
17 not necessarily for the Board of Supervisors, including the Chamber of Commerce.  
18 DELEGATE DUDLEY: My point is that this is not extra money, it  
19 says unobligated, but in effect it is --  
20 MS. WASS: -- As of March 31st it has not been awarded.  
21 MR. CURRIN: You all are the ultimate decision-makers as to  
22 whether they get it or not.  
23 DELEGATE KILGORE: I'm not trying to pry into Southside's  
24 business, but in Pittsylvania County their formula, if you took X amount of dollars there  
25 is no requirement on this Commission to actually grant them X amount of dollars if they  
26 do not approve of the project.  
27 MR. CURRIN: You're right. The Commission can change that any  
28 time they want to, the formula that is.  
29 DELEGATE KILGORE: There are good ideas and bad ideas to  
30 further the role of the Tobacco Commission, so I just wanted to make sure that ultimately  
31 the Tobacco Commission has a role in that.  
32 DELEGATE JOHNSON: Mr. Chairman, for FY'04 Southwest  
33 Economic Development, two million one hundred thousand, an unobligated balance three  
34 million five hundred four hundred fourteen. How did we end up with more than we  
35 started with?  
36 DELEGATE KILGORE: We carried over.  
37 SENATOR WAMPLER: Mr. Chairman, inasmuch as I chaired the  
38 Committee for at least a portion of that year, Delegate Johnson, it was a theory that we  
39 generally ascribe to that we should retain one million dollars. You will recall we changed  
40 guidelines in Deal Closing and Special Projects, and that way we had the flexibility to do  
41 certain deals that might not meet the new guidelines that we adopted at the Full  
42 Commission meeting, I'm thinking primarily to the old Westinghouse property. Three of  
43 the matters that we took up for that flexibility gave us that extra advantage, and that is

1 why we actually carried it forward and we, we kept a little bit up our sleeves in case we  
2 needed to do a deal right quick.

3 DELEGATE JOHNSON: Thank you.

4 MR. CURRIN: The Southside fund split is forty-eight percent for  
5 indemnification, fifty-two percent for Economic Development. In Southwest the split is  
6 seventy percent, these are Staff recommendations, seventy percent for indemnification  
7 and thirty percent for Economic Development. The pie chart reflects what I just told you.

8 DELEGATE KILGORE: Carthan, are we the only state that is  
9 doing the money back to our tobacco farmers?

10 MR. CURRIN: On Phase I monies, yes, sir.

11 DELEGATE KILGORE: We need to get it out more, I know we say  
12 it all the time, but it needs to be out front more, I think.

13 MR. CURRIN: In the *Kingsport Times* recently it did a nice  
14 editorial on the Commonwealth of Virginia vis-à-vis our dear friends to the west in the  
15 Volunteer State of Tennessee. I don't know if you saw the editorial.

16 SENATOR RUFF: Could you send a copy of that to all the papers  
17 in Southside?

18 MR. CURRIN: Yes, sir. That's a good point.

19 DELEGATE DUDLEY: Mr. Chairman, you brought up a good  
20 point about comments made earlier about some farmers thought they were getting the  
21 shaft. Compared to what other states are doing now, they are not getting shafted by  
22 Virginia by a long shot.

23 DELEGATE KILGORE: I think that message needs to be out more,  
24 that we are fulfilling our obligation in Virginia.

25 MR. CURRIN: Mr. Chairman, maybe I can elicit your support and  
26 members of the Committee that have connections, and also the Virginia Farm Bureau to  
27 help us, because they have publications like Virginia Agribusiness Council. They could  
28 say to the growers in Southwest and Southside, the Commonwealth treats you very nicely  
29 compared to our neighbors. I'll go ahead and look into that.

30 DELEGATE KILGORE: That needs to be out more and sent to the  
31 other Commissioners, and we can get to work with the media and get that information out  
32 and take advantage of all the media outlets.

33 MR. STEPHENSON: Mr. Chairman, on that matter I don't know if  
34 it is possible or not, it seems like that information should be an insert in the envelopes  
35 with the checks if it is that important.

36 MR. CURRIN: That's a great idea, but it is problematic.

37 MS. WASS: The checks are printed by computer, the Treasury.

38 MR. CURRIN: That is all sealed, and we'd have a problem with  
39 that. There are other ways to get that information out.

40 Mr. Chairman, that concludes my formal presentation. Any questions?

41 DELEGATE KILGORE: Any questions of the Executive Director  
42 or Stephane, the Finance Director? I notice within the sub-group we haven't really, in  
43 technology, job creation, or education, we haven't divvied that up, Carthan. Has that

1    been divvied up or looked at or examined by the particular committees?

2                   MR. CURRIN: Yes, absolutely.

3                   DELEGATE KILGORE: The same with regional economic  
4   development?

5                   MR. CURRIN: Yes, those committees, we have a body this size,  
6   they do the heavy lifting, and then it comes to the Full Commission for a  
7   recommendation.

8                   DELEGATE KILGORE: Any questions, Senator Wampler?

9                   SENATOR WAMPLER: I'm not sure I understand what action we  
10   need to complete other than this proposed budget. My concern is what we do with the  
11   unobligated balances. Under the unobligated balances I see only three areas, that being  
12   the indemnification of a million eighty-seven thousand seven hundred sixteen under  
13   Technology and the reserve account, one point nine. My hunch is that Education  
14   probably ought to revert back to the Education area.

15                  DELEGATE KILGORE: I agree with that.

16                  SENATOR RUFF: At the Education Committee meeting a couple of  
17   weeks ago, most of that money was obligated if the Full Commission votes and are in  
18   agreement with that. Correct, Ned?

19                  MR. STEPHENSON: Correct.

20                  SENATOR WAMPLER: I think that is probably accurate. What it  
21   boils down to, what do we recommend to the Full Commission on the amount in the  
22   indemnification reserve account? I think we know that telecommunications/technology  
23   there is probably a ten million dollar need in the Southside. I know Southwest got the  
24   first bite at the apple, and we still had one matter to take care of that the Director is well  
25   aware of, on the preliminary engineering from Abingdon to Independence, in the amount  
26   of about a hundred and fifty thousand, and had previously been awarded but was not  
27   reimbursed. We've talked in Southwest, and we probably should not ask for a large  
28   amount for new technology initiatives, rather a small amount for preliminary engineering.

29                  DELEGATE KILGORE: I talked to some of the folks here today  
30   about that, with the understanding that Southside should be ready to go or in the process  
31   of being ready to go with their technology. But under indemnification that unobligated  
32   balance you're talking about, Frank Ferguson, do we have any hanging obligations out  
33   there that we may have to come back and pay for people who have not collected theirs?

34                  MR. FERGUSON: As far as I know, we are not currently aware of  
35   any, but under the statute claims could potentially be made for a year after the claim  
36   period ends.

37                  MS. WASS: Unclaimed a year later.

38                  MR. FERGUSON: The money is now freed up because of that year  
39   period past.

40                  SENATOR WAMPLER: It's my understanding that is for '03, the  
41   one million eighty-seven thousand amount, and it is at the discretion of the Full  
42   Commission as far as what to do. I think it is a reasonable assumption that could be  
43   reinvested in one of the areas that we would choose.

1 MR. CURRIN: Senator Wampler's point is that in the past we  
2 funneled those balances into Deal Closings.

3 DELEGATE KILGORE: I guess the question proposed by Senator  
4 Wampler, what is the best way of the unobligated balances, one point zero eight and one  
5 point nine, what is the best way to spend those? Is that correct?

6 SENATOR WAMPLER: I think that is the question before the  
7 Executive Committee, recommendation to the Full Commission, yes.

8 MR. WALKER: I would like to see us put some of that money into  
9 Special Projects. If we need it somewhere else we can move it from Special Projects to  
10 Deal Closings.

11 SENATOR WAMPLER: I would note that we have always placed  
12 dollars into Special Projects with the understanding that whatever it took to do a deal we  
13 would transfer those dollars. I think that is consistent with what we have done in the  
14 past.

15 SENATOR RUFF: Mr. Chairman, the reserve account was  
16 mentioned at one point in time. Are there any guidelines as to how much reserve we  
17 should keep?

18 MS. WASS: Last year it was decided that one point nine would be  
19 satisfied in case there is some unanticipated need or interest revenue or --

20 DELEGATE KILGORE: Is this one point nine, is that unobligated  
21 balance built in for this time?

22 MS. WASS: One point nine is the FY'04 budget. Set aside a  
23 contingency reserve. If the FY'05 MSA revenue is not as forecasted we would not have  
24 to go through and cut each line item.

25 SENATOR WAMPLER: Mr. Chairman, I would say to Senator  
26 Ruff, if you look at overall each category, the five priorities, we have a rather large  
27 unobligated balance, and I don't recall the large numbers in the aggregate last year. I  
28 think we are in pretty good shape going into the '05 budget in terms of being able to meet  
29 known commitments and future commitments.

30 SENATOR RUFF: I think there should be some reserve. I simply  
31 make the point that if we adjust anything we had at least twenty-three million dollars  
32 worth of requests for Education from Southside and Southwest, so there is a pent-up need  
33 for Education, and I'll leave it at that.

34 DELEGATE BYRON: We have a mindset that if we have money in  
35 our pocket we have to spend it, and I don't agree with that concept. There are tremendous  
36 needs, and there is no doubt we could spend every penny of this real quickly if we  
37 decided to do that. Technology, I'd rather look at some of the issues that are before us  
38 before we just kind of put it out there. We need to decide the priorities and look at some  
39 of the real issues in each of those areas. We have major things going on as far as the fiber  
40 in Southside, and I'm not sure where our obligations that we have already or as far as  
41 what the extra dollars would do in that area versus another area, and the same with  
42 Education. We need some more details before we can make a wise choice as to what we  
43 are going to spend this on. We can decide how much is in reserve and how much we

1 want to spend.

2 DELEGATE JOHNSON: I'd like to direct this to Mr. Ferguson. Do  
3 we have any danger of being criticized because we are carrying a sizable sum over, as  
4 opposed to giving it to the farmers?

5 MR. FERGUSON: That problem is really in the form of a political  
6 question. I'm not sure how much light I can shed or guidance I can give to that, but  
7 certainly there are always folks that will look to any kind of money that would be in  
8 existence. What I was going to add to the conversation, whether you keep a reserve  
9 account or choose to currently not obligate all the proposed or estimated MSA revenues  
10 for '05. There is a meeting going on right now in Washington with the tobacco states, all  
11 states involved in the MSA. While we are hopeful that the drop-off in MSA payments  
12 that occurred the last several years has leveled out, or will be leveling out, there is  
13 certainly no guarantee that there won't be some other hit on that or continued migration  
14 of consumption from participating manufacturers to non-participating manufactures, or  
15 that some of the so-called SPM's will not withhold some of their payments next year. I  
16 expect that will happen. The good news is that the SPM is such a small part it probably  
17 reflects about a half a million in your budget, or maybe a million at the most. That  
18 problem could get worse as years go by. My comment is that I think prudence suggests  
19 that we don't obligate every penny, and whether you put it in a reserve fund or simply  
20 choose to delay decisions on how to spend some so that it is not sort of captured by a  
21 reserve fund kind of label, and I would counsel that at least some small percentage of  
22 your funds remain unobligated until we get at least closer to April of '05 than we are now.  
23 It could be that we get more money than is forecasted. That is within the realm of  
24 possibility, but it is a very chancy proposition in May of '04 to predict precisely what  
25 those dollars are going to be in April of '05.

26 MS. WASS: We try to carry forward an unobligated balance, but  
27 that has to take us through next April. If you carry forward a balance it is not an unusual  
28 thing, and our money comes next April. On June 30th you should have a fairly large  
29 balance, and it has to last you until next April.

30 DELEGATE BYRON: I think it is very important that we make that  
31 very, very clear. We have to make that clear so that we don't spend quite as long in  
32 discussion on that and explain to help refresh people's memories that the Economic  
33 Development monies are based on a percentage that we have agreed upon. If that  
34 percentage comes back to be changed, that is a different issue. Right now those figures  
35 are based on percentages, and they are allocated for certain areas, and not that that money  
36 is just sitting there because no one has decided how they want to spend it yet. I think we  
37 are so far ahead of the game in the way that our monies are spent and obligated that the  
38 unobligated word really throws things out of kilter in that regard. We're being fiscally  
39 responsible by not throwing every penny out there.

40 MS. WASS: Not only the budget, but I know in prior years I was  
41 asked to show those areas where the balances are.

42 SENATOR WAMPLER: There maybe a distinction without a  
43 difference in what we are discussing, but three million dollars or three point seven

1 million, and if we want to park all of it in a reserve account I don't know that it really  
2 matters, because it takes the Full Commission vote to spend those dollars. So I think  
3 Delegate Byron is right that we certainly don't spend all of that. That's the function of a  
4 majority vote by the Full Commission that Mr. Ferguson reminds us of quite frequently.  
5 Whether we want to allocate it in one of the five areas, subject to future authorization to  
6 spend, or park it in a reserve account, I don't know that it really matters.

7 DELEGATE BYRON: Senator Wampler, if we educate the  
8 committees and the chairmen of the committees to come forward to the Commission with  
9 a great need, that helps us to see where the money could be immediately used, that is a  
10 different issue, but right now I don't think that information is before us.

11 SENATOR RUFF: Mr. Chairman, following up on what they said,  
12 if it goes into one of those categories it will be visible to the demanding public, and if it's  
13 in a reserve account it is kind of invisible.

14 DELEGATE DUDLEY: Mr. Chairman, following up on what  
15 Senator Ruff said, I think our recommendation should be to take the one point nine one  
16 three million and move it over into a reserve account and carry it over. That represents  
17 about three percent of our budget.

18 SENATOR RUFF: I didn't hear that.

19 DELEGATE DUDLEY: Move that one point nine one three million  
20 into a reserve for 2005.

21 DELEGATE KILGORE: Which could be used by the Commission  
22 if the need arises.

23 MR. CURRIN: At any time if the Committee is of a mind to support  
24 our recommendation or amendment, I'd like to go to the Commission with that the  
25 Executive Committee has met and made a decision as to whether they support this budget  
26 or something different.

27 SENATOR WAMPLER: Would you speak up a little bit, please?

28 MR. CURRIN: Senator Wampler, I was suggesting that it would be  
29 helpful for the Staff if we could share with the Full Commission that the Executive  
30 Committee has met and viewed the budget and either supports the Staff recommendations  
31 or made some different suggestions.

32 DELEGATE KILGORE: Would it reflect what we have been  
33 discussing for the last few minutes and putting that money into the reserve?

34 MR. CURRIN: Absolutely.

35 DELEGATE KILGORE: It all has to be voted on at the Full  
36 Commission anyway. Would that include the indemnification, Allen?

37 DELEGATE DUDLEY: The one point nine one three million is the  
38 only thing.

39 DELEGATE KILGORE: The only thing I was getting ready to say,  
40 Senator Wampler, and Allen said that the one point nine one three in the reserve account.

41 MR. WALKER: If you put it in Senator Wampler's Special Projects  
42 Committee it is accessible to all of us, and if it has anything to do with Special Projects  
43 the Commission has to vote on it anyway.

1 MR. CURRIN: Just so you all understand, there is another million  
2 dollars we have in reserve for indemnification, and that is a separate reserve.

3 MS. WASS: If you're voting on the FY'05 budget none of the carry  
4 forward balances is what you are voting on. What you're voting on is that one column for  
5 the FY'05 budget, the one point nine million in the reserve account is already there and it  
6 is carried forward for FY'04. I have not budgeted any additional money for reserve.

7 DELEGATE KILGORE: We can just keep that there.

8 MR. CURRIN: Absolutely.

9 DELEGATE DUDLEY: You're going to show it in that column?

10 MS. WASS: It would not be in the FY'05 budget, because it is being  
11 carried forward. So it is just a cash balance sitting there.

12 DELEGATE KILGORE: It's something that could be allocated by a  
13 majority vote of the Commission.

14 MS. WASS: Yes.

15 SENATOR WAMPLER: Mr. Chairman, I understand what Stephane  
16 said, but the point is that she should put a footnote on her spreadsheet saying that there  
17 would be a balance of one point nine one three million dollars as a function of the carry  
18 forward from FY'04.

19 DELEGATE KILGORE: That would be good, I think that would be  
20 a better explanation and save us some time.

21 MS. WASS: I don't think the unobligated balance column would  
22 appear in the budget proposed, it would just have FY'04 or FY'05.

23 DELEGATE KILGORE: All right, we have this budget before us,  
24 and thank you, Carthan, for your presentation. Do I have a motion that the Executive  
25 Committee -----

26 DELEGATE JOHNSON: I move that we recommend the adoption  
27 of the budget as presented.

28 SENATOR RUFF: Second.

29 DELEGATE KILGORE: Any discussion? All in favor, aye?  
30 (Ayes.) Opposed, no? (No response.) The ayes have it.

31 MR. CURRIN: Mr. Chairman, a couple of quick points, and I will  
32 turn this over to Ned, who is going to provide some comments and make a presentation  
33 about our thoughts or our process. As we enter our fifth year we felt that with Ned's  
34 arrival in particular we've been working to consider maybe some alterations to some of  
35 our process and some streamline suggestions. They are purely suggestions and some  
36 thoughts for you all to absorb and react to and tell us if we are on the right track or the  
37 wrong track. That would be very helpful. Our thinking is that we wanted to kind of get a  
38 sense from you all before we go to the Full Commission.

39 MR. STEPHENSON: This is advisory to the Executive Committee.

40 MR. CURRIN: We don't want to go too far unless you all feel  
41 comfortable with it. The next Commission meeting after the May meeting in Danville  
42 this month is our meeting in Bristol in the latter part of July. Probably the major  
43 Committee that will be meeting and will have to make a decision is Special Projects, that

1 there will probably be enough money that we will have some applications that need to be  
2 considered. At the October Commission meeting, which is scheduled to be in  
3 Clarksville, that is the meeting that we will use part of that Commission meeting to also  
4 have a strategic retreat for the Full Commission. Ned will explain this in greater detail.  
5 We have free services from John Rosenblum, who used to be the Dean of the Darden  
6 School of Business at the University of Virginia. He's offered to help facilitate that  
7 session. Without further ado I'll have Ned make his presentation to the Executive  
8 Committee.

9 MR. STEPHENSON: I want to tell you that what I am about to give  
10 you is advisory in nature to the Executive Committee and that briefing, if you will, as to  
11 events that have occurred. I really wanted to use the Executive Committee to help steer  
12 this process a little bit, because very few conclusions have been reached. Just to give you  
13 a history, if you will remember, some months ago Chairman Hawkins appointed a  
14 Citizens Committee, and that group has met three times, and a great number of issues  
15 came before the Citizens Committee, and the summation of those issues really resulted in  
16 them wanting to recommend to the Full Commission that we conduct a planning session  
17 to take our Long-Range Plan and build upon it on an on-going basis. This request or  
18 recommendation will come to the Full Commission from the Citizens Committee. That  
19 recommendation being that we plan to schedule a planning retreat. I'm really kind of  
20 bringing you some of the information that came out of the Citizens Committee meeting. I  
21 placed in your packet in front of you several handouts that might guide you in what you  
22 are about to hear.

23 I want to say at the outset that really the purpose in this forum today is really  
24 not to debate any of the issues or open them up, because many of them would take a long  
25 time, but really it is to approach the process by which we address these issues. The sheet  
26 in front of you, or at the top of the sheet it says "Pro Forma". This is simply the plan that  
27 the Citizens Committee is suggesting to be recommended to the Full Commission. It  
28 gives you the particulars of the planning process. Carthan mentioned the date had been  
29 suggested this fall in Clarksville in October in conjunction with the regular Commission  
30 meeting. That makes for a long session, but it minimizes travel time for the session. You  
31 can see the attendees there, and so forth. I do want to make a comment about John  
32 Rosenblum. We looked for an able facilitator, and his name came up from several  
33 sources. John has been the Dean of the Darden School of Business for fifteen years, and  
34 Carthan and I met with him and pitched this idea to him as being our facilitator, and he  
35 was very interested, because he has been interested in the Commission. I want to tell you  
36 what John said when I asked him what would be your fee for conducting this planning  
37 session for us. John said, Ned, I do this in a lot of places, and if I told you what I charged  
38 you would not want to pay it, but he said, the Commonwealth of Virginia has been very  
39 good to me, and I have prospered here, and I am happy to do this for the Tobacco  
40 Commission for free. That is the basis on which John agreed to do this. The date in  
41 October is satisfactory to him, and we are working towards that date.

42 The next page in your handout is entitled, "Planning Session Issues." These  
43 are some of the issues that came in front of the Citizens Committee recorded as possible

1 topics of conversation. I emphasize some of the issues and possible topics. I would  
2 invite any of you if you have others that are especially important to you that you get them  
3 on the sheet. I am supplying all this information to our facilitator, and I encourage him to  
4 lead the discussion on some of these issues.

5 The third handout in the pile is part of the process that appeared before the  
6 Citizens Committee on which there are on-going scheduling issues as evidenced this  
7 week by some meetings being canceled. You can see a calendar there. I know Carthan  
8 sent this to you a few weeks ago, and it is really being developed more thoroughly. This  
9 particular version attempts to establish regular, cyclical established meeting dates for  
10 various of our initiatives so not only we can plan internally and the Commission can plan  
11 but those who can serve can know and understand the cycle with which we operate and  
12 all of these county planners know how we are going to manage our money. This  
13 particular calendar is very much open for discussion. If the Commission sees fit to adopt  
14 it we can all feel as if we have a calendar that we can really rely on. There are a lot of  
15 complicated issues in that calendar. One in particular we have already discussed this  
16 morning, and that is Stephane's comments about the timing of the receipt of money  
17 relative to the time at which we commit the money. If we use this calendar properly you  
18 can manage that process and keep ourselves out of trouble later on. This is one of the  
19 things that is likely to be on the table, and I certainly invite your comments after you get  
20 home and study it as to whether you think it meets our needs.

21 One of the things that Rosenblum wants to do in the process of building upon  
22 our Long-Range Plan is to work on what he terms as misalignment, figure out where we  
23 are misaligned between our plan and that which we are actually doing. There are a  
24 couple of graphs here that speak to you what our current Committee structure is, which is  
25 very familiar to all of you, and then the last page a little picture to go along with what the  
26 Long-Range Plan calls for, the printed Long-Range Plan. There is a little bit of a  
27 misalignment there, and I think that the planning session would be a time during which  
28 we can address both the plan itself if it needs to be changed or altered if not address that  
29 which we are doing and how we are functioning to try to bring those two in alignment as  
30 part of that planning process.

31 That really concludes the presentation that I have concerning this. Any one of  
32 these issues we can get into today at length, but I would like to invite comments from the  
33 Committee today as to the path that we are on in conducting this planning session,  
34 whether it meets with your approval or whether it needs to be adjusted before we get  
35 before the Full Commission a couple of weeks from now.

36 DELEGATE KILGORE: Ned, thanks for all your hard work, and  
37 thanks for what you are doing as far as a lot of these same issues that we are about to talk  
38 about. It has really been helpful to me. Looking at the structure here, the proposed  
39 structure of the Long-Range Plan, we do not have in that group any Committee that  
40 would continue to study the Long-Range Plan for the future, whether it is Technology,  
41 Education, Innovation. I would suggest that we really need to keep some group looking  
42 at where we are going and set us a map so we know where we are going, and we don't  
43 have that under the Long-Range Plan structure, unless it is somewhere here and it is

1 included in one of these.

2 MR. STEPHENSON: I think those are the very issues that can be  
3 dealt with in a planning session and find out how do we do this. I want to say at the  
4 outset this came to me through the Citizens Committee, and I am briefing the Executive  
5 Committee on it today. We do have a Long-Range Plan Committee, which Kathy  
6 chaired. There is a bit of awkwardness here as to where do these matters properly  
7 belong. Those are some of the things that I think we can probably address and help  
8 ourselves in terms of having good, clear direction. There is a Long-Range Planning  
9 Committee.

10 DELEGATE BYRON: I've chaired the Long-Range Planning  
11 Committee, and we had the Finance Committee and Senator Wampler, Senator Wampler  
12 was the Director of Finance, I don't know, but my question to you is two-fold. Maybe  
13 this is one of those where we had to go out there and get a quorum. When did we do this  
14 Citizens Committee?

15 DELEGATE KILGORE: Out at UVA Wise.

16 DELEGATE BYRON: Who is on the Citizens Committee?

17 MR. STEPHENSON: Chairman Hawkins made that appointment in  
18 the Commission meeting one day, and he named about ten individuals and asked them to  
19 form a Citizens Committee and then gave them a specific charge on that day. They met  
20 once in January and once in February and once in April. I think I can read the names to  
21 you here.

22 DELEGATE BYRON: Wouldn't it be appropriate to bring these  
23 ideas in front of the Long-Range Committee and we could flesh it out before we go to the  
24 Full Commission?

25 MR. STEPHENSON: Absolutely.

26 MR. WALKER: I am on that Committee, and at the meeting in  
27 January I was able to attend. The last meeting they had was called rather abruptly, and  
28 we only had a week's notice. I couldn't change my schedule to be at that meeting. But if  
29 you would take time to go over and read the minutes it is quite lengthy. You'll see, and I  
30 think maybe this Committee has gotten off-focus from what Chairman Hawkins' original  
31 vision was. Maybe your Committee, the Long-Range Planning Committee, could help  
32 them get focused on what Chairman Hawkins really wanted us to do and to work on.

33 DELEGATE BYRON: That is something I would be very interested  
34 in seeing. I was not aware with all our schedules, the schedule that we have had  
35 addressing legislative things, I haven't looked at the minutes, and I need to do that. I  
36 would hope in the future maybe the minutes would be sent to the Committee. If they  
37 were doing Education I am sure Senator Ruff would like to have a little bit of an idea of  
38 some of the things going on as well. Perhaps I'll look at those and we can try to do that  
39 instead of bringing all that before the Full Commission meeting when we have so many  
40 other issues in front of us at the time.

41 MR. STEPHENSON: It would be my hope, Kathy, that if we have a  
42 strategic planning session that that would be the best forum in which to deal with these  
43 housekeeping issues of how we conduct ourselves, how we manage our monies and so

1     forth when there are no grants in front of us and no approvals at that time.

2                     SENATOR WAMPLER: Mr. Chairman, I think I understand what  
3     Ned is talking about, about the planning session, although I will say that I have not been  
4     focused, and I'm sure many other members of the Commission, we are where we need to  
5     be in twelve months in terms of planning. I don't know if the Special Projects  
6     Committee, we changed our guidelines, and I know that we have a greater deal of  
7     definition with regards to what we can and cannot do without agreement of the Full  
8     Commission. I guess what I'm trying to say is that I think I've said something about what  
9     other members are saying. I need a better understanding of where we are heading with  
10    strategic investments as it relates to the Special Projects Committee. Maybe I'm making  
11    too much out of it, but I guess I had better take Mr. Stephenson on his request to find time  
12    to meet with him to get a better understanding. I am a little uneasy that we go outside of  
13    our left and right boundaries and redefine what the core mission, how we achieve that  
14    core mission of the Tobacco Commission. I hope that makes sense to the other members,  
15    and that is just a concern that I had. I don't know exactly where we are heading.

16                    DELEGATE KILGORE: I think what Ned was getting at earlier  
17    was that this is why a lot of these meetings are going to occur and why we need to talk  
18    about this, because we don't want to get outside of our core responsibilities.

19                    SENATOR WAMPLER: Mr. Chairman, let me say it another way if  
20    I can. Assuming we are not going to securitize.

21                    DELEGATE KILGORE: Unless you are in the junk bond market.

22                    SENATOR WAMPLER: I think we have a pretty good plan where  
23    we are heading, and I realize that can be modified from time to time. I worry a little bit  
24    about spending a lot of time going outside that left and right boundary. I guess that is all  
25    I need to say, thank you.

26                    DELEGATE KILGORE: Your point is well taken. Any other  
27    comments or questions?

28                    MR. WALKER: Does Ned want us to go over this plan and endorse  
29    it about having this strategic planning meeting or session?

30                    MR. STEPHENSON: As the Committee wishes, I bring it to you as  
31    information so that you are apprised. The Citizens Committee is headed toward the Full  
32    Commission with a report containing these matters. I thought the Executive Committee  
33    should be apprised of that.

34                    DELEGATE KILGORE: Some of us who have been involved in  
35    other things, are those minutes on the Web Site so we can read those?

36                    MR. STEPHENSON: They are.

37                    DELEGATE KILGORE: I would encourage the rest of you to read  
38    those minutes before the Full Commission meeting if there is going to be a suggestion.

39                    DELEGATE BYRON: This is scheduled around a Full Commission  
40    meeting, July 22nd, correct?

41                    DELEGATE KILGORE: Yes.

42                    DELEGATE BYRON: My question is this, Ned. Have you looked  
43    at the format for this facilitation? I've been involved in some facilitations in the past that

1 I wasn't overly satisfied with, so I would hope that you would look at that and feel that is  
2 in line with everyone's time and whether or not the Commission members, I think we  
3 need to consider whether or not, this is costly for everyone, but we need to make sure that  
4 we have a good representation if we move forward with that.

5 MR. STEPHENSON: Part of the thinking there was to join the  
6 planning with the Full Commission meeting so that would encourage them to be there  
7 but, yes, time is important.

8 DELEGATE BYRON: The day before there are other meetings, and  
9 that is something else.

10 MR. STEPHENSON: There are not to be any other meetings  
11 scheduled the day before related to the Commission. I'm not saying that won't happen,  
12 but there are not currently any meetings scheduled on the calendar. We are very open to  
13 those kind of comments to make sure that everyone has the best chance of being there  
14 with full attendance.

15 DELEGATE KILGORE: Nothing is set in stone?

16 MR. STEPHENSON: No, except at some point, for planning  
17 purposes for the facilitator, we need to have a date on the calendar that we all work  
18 toward. The date, for what it is worth, Kathy, was to be in July, and that didn't work well,  
19 and it was too much too fast, so it got delayed until October.

20 DELEGATE BYRON: Have you looked at the agenda, or are we  
21 reworking our mission? With workforce counsel we have similar meetings, and we have  
22 gone in and reworked our mission definition, so I figured it would be helpful to know  
23 what that discussion is going to be around.

24 MR. STEPHENSON: John Rosenblum, the facilitator, indicated  
25 that he would try to get some material out to you ahead of time. I don't think there is any  
26 intent to rewrite or restructure the mission more than making sure that we are running  
27 within the boundaries of what we built to take the plan we have and stick with it.

28 MR. WALKER: When you read the minutes you will hear about it.

29 SENATOR RUFF: Do I understand the Citizens Committee is going  
30 to make a presentation at the May meeting?

31 MR. STEPHENSON: Yes, sir.

32 SENATOR RUFF: There are going to be two strategic planning  
33 meetings, one in Southwest and one in Southside?

34 MR. STEPHENSON: No, only one, and that is currently with the  
35 Full Commission meeting in October and not July. There was one version that came out  
36 earlier and then moved from July to October in Clarksville, only one meeting.

37  
38 SENATOR RUFF: So the Citizens Committee is not going to be  
39 offended that no action is taken that will take place until after that strategic planning  
40 meeting?

41 MR. STEPHENSON: I would hope not.

42 SENATOR RUFF: I was thinking that as we go into it that will be  
43 the goal to move it to a strategic planning meeting so they don't feel like they are ignored.

1 MR. STEPHENSON: I think their only motive is to come to the  
2 Commission and want to have a planning session, here are some suggested dates.

3 SENATOR RUFF: They are not looking for us to vote to change  
4 this?

5 MR. STEPHENSON: No, they want to have the session and bring  
6 some issues out onto the table that can be dealt with in whatever manner the Commission  
7 sees fit.

8 DELEGATE DUDLEY: What is the planning thing that we are  
9 talking about, is that --

10 DELEGATE KILGORE: It is actually October in Clarksville.

11 DELEGATE DUDLEY: That has nothing to do with the Citizens  
12 Committee at all?

13 DELEGATE KILGORE: The Commission is still going to have a  
14 meeting in Bristol in July. So that is the Full Commission meeting in July, and then the  
15 Full Commission will meet in Clarksville, and that is when the strategic planning will  
16 take place.

17 MR. STEPHENSON: Mr. Chairman, I have something else that  
18 might be of interest to the Executive Committee. Just yesterday I got a letter that came to  
19 me from a person I did not know, but I want to read you part of it. This letter is  
20 addressed to the Tobacco Commission, and it says: I'm not sure to whom I should  
21 address this letter. The Virginia Tobacco Commission's teacher tuition forgiveness  
22 program has allowed me to complete my first semester of graduate school at Averett  
23 University. I am inspired, I cannot wait to begin teaching in Pittsylvania County.  
24 However, while I wait I am most thankful for you expanding my degree and ability by the  
25 Commission forgiveness plan. I just wanted to write and let you know the story of one  
26 Southside teacher to be helped and helping others, and thanks to the Virginia Tobacco  
27 Commission teacher tuition forgiveness program. Thank you a thousand times, thank  
28 you. Signed, Caroline Stainback. I don't know this lady but this is a success story.

29 DELEGATE KILGORE: Anything further?

30 DELEGATE JOHNSON: I have one thing, Mr. Chairman. The  
31 money spent on education is the best money we have spent, and I firmly believe that. I  
32 don't think we could invest in anything better than education.

33 DELEGATE KILGORE: I will agree with that, as evidenced by that  
34 one letter.

35 Anyone have anything else?

36 SENATOR WAMPLER: No, thank you for checking.

37 MR. WALKER: I move we adjourn.

38 DELEGATE KILGORE: It's been moved and seconded that we  
39 adjourn. We are adjourned.

40

41 PROCEEDINGS CONCLUDED.

42 CERTIFICATE OF THE COURT REPORTER

43

1  
2 I, Medford W. Howard, Registered Professional Reporter and Notary  
3 Public for the State of Virginia at large, do hereby certify that I was the court reporter  
4 who took down and transcribed the proceedings of the **Executive Committee Meeting**  
5 **when held on Wednesday, May 5, 2004 at 11:00 a.m. at the Hotel Roanoke and**  
6 **Conference Center, Roanoke, Virginia.**

7 I further certify this is a true and accurate transcript to the best of my  
8 ability to hear and understand the proceedings.

9 Given under my hand this 30th day of May, 2004.  
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14 \_\_\_\_\_  
15 Medford W. Howard  
16 Registered Professional Reporter  
17 Notary Public for the State of Virginia at Large  
18  
19

20 My Commission Expires: October 31, 2006.  
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